

**VERIZON MASSACHUSETTS
ALTERNATIVE REGULATION PLAN**

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The Massachusetts Alternative Regulation Plan (“Plan”) establishes the method by which the Department of Telecommunications and Energy (“Department”) will regulate the Intrastate services Verizon New England Inc. (“Verizon MA” or the “Company”) offers under tariff in the Commonwealth. The terms of the Plan are as follows:

- A. Residential Basic Services - Except as provided in Paragraphs C and N below, prices for Residential Basic services shall not be increased. Residential Basic services are listed in Attachment A.
- B. Residential Touch Tone Service – The monthly rate associated with Residential Touch Tone service is eliminated.
- C. Residential Dial-Tone Line – The Residential Dial-Tone Line rate of \$9.91 is increased to \$12.36.
- D. Lifeline Services – The Lifeline Credit will be increased by an amount equal to any increase in the Residential Dial-Tone Line rate implemented in accordance with Paragraphs C above and Paragraph N below.
- E. Residential Non-Basic Services – Rates for Residential Non-Basic services and any new Residential Services will increase or decrease in response to market conditions. Pricing for these services will be at the discretion of the Company. Residential Non-Basic services are listed in Attachment B.
- F. Retail Business Services – Rates for Intrastate retail Business services, except those described as price regulated in Attachment A, will increase or decrease in response

to market conditions. Pricing for these services will be at the discretion of the Company, subject to any price floor requirement set by the Department. The retail Business services that are subject to full pricing flexibility are listed in Attachment B.

- G. Retail Private Line Services – Rates for retail Private Line services will be regulated. Except as provided in paragraph N below, prices for these services shall not be increased. Private Line services can be restructured and repriced within the overall pricing restriction. Any reduction in prices must comply with the governing price floor requirements. Retail Private Line services are listed in Attachment A.
- H. Other Wholesale-Like Services – Prices for selective retail PAL and PASL services that are primarily provided as wholesale services will be adjusted in accordance with the decision of the Department in Docket No. D.T.E. 97-88/18. Prices for collocation circuits that are primarily provided to carriers as wholesale services are adjusted to levels reflecting Unbundled Network Element (“UNE”) rates. These services will continue to be price regulated. A list of these services is contained in Attachment A.
- I. Switched Access Services – The rates for Intrastate Switched Access services will be changed to reflect the July 2002 rate levels associated with Interstate Switched Access services. Except as otherwise provided in Paragraph N below, Intrastate Switched Access rates shall not be increased.
- J. Special Access Services – The rates and charges associated with Intrastate Special Access services will continue to be price regulated. Except as otherwise provided in Paragraph N below, Intrastate Special Access rates shall not be increased.

- K. Special Construction Charges – The rates for Special Construction associated with Intrastate Switched and Special Access services will be based on the actual costs Verizon MA incurs.
- L. Prices for access to Verizon MA’s UNEs and interconnection with the Company’s facilities and equipment, and the level of the Company’s wholesale (resale) discount, will continue to be set in accordance with the federal Telecommunications Act of 1996, as amended.
- M. Poles and Conduit and Late Payment Charges – Pricing requirements for these services, as established in the Department’s Orders in D.P.U. 91-218 and D.P.U. 93-204-A, respectively, remain in effect until the Department otherwise orders.
- N. All price-regulated services may be increased or decreased in the event of an exogenous event that increases or decreases the Company’s cost of providing, or increases or decreases its revenues from, those price-regulated services. A party may petition the Department to recover positive or negative changes in costs or revenues because of an exogenous event in accordance with the provisions of this Plan. An exogenous event is one that is beyond the control of Verizon MA and that positively or negatively changes the Company’s cost of providing service, or its revenues from those services. An exogenous event includes, but is not limited to:
 - (i) changes in tax laws; (ii) changes in Generally Accepted Accounting Principles that apply specifically to telecommunications or changes in the Federal Communications Commission Uniform Systems of Accounts; (iii) any Federal Communications Commission rules changes pertaining to jurisdictional separations; and (iv) regulatory, judicial, or legislative changes affecting the telecommunications

industry, including rules and orders that are necessary to implement such changes. If the Department finds that Verizon MA has experienced a positive or negative change in costs or revenues due to an exogenous event, it shall allow the Company to reflect the amount of the change by way of surcharge, credit or rate adjustment as appropriate. If a dispute arises over whether an event is exogenous, the burden of proof lies with the party proposing the recovery or reduction. Any proposed exogenous adjustment must affect the Company's annual costs or revenues by at least \$3 million.

- O. Verizon MA may modify the application of rate elements so long as such modifications comply with all pricing rules.
- P. Price floor rules that the Department established in D.P.U. 94-185 remain in effect, except as modified by the Department in its Phase I and Phase II Orders in D.T.E. 01-31.
- Q. Verizon MA may petition the Department to modify any of the terms or conditions of the Plan: (i) to reflect the impact of relevant provisions or decisions, enacted or issued subsequent to the Department's approval of the Plan, of federal or state legislative, judicial or administrative bodies of competent jurisdiction; or (ii) to seek a less structured form of regulation or deregulation of its operations based upon changes in market conditions. In any proceeding, the burden shall be on the Company to establish the reasonable basis for the modification.

- R. Verizon MA will continue to offer all of the Intrastate services provided under tariff as of the date of Department approval of the Plan unless it petitions and receives approval from the Department to withdraw a service.
- S. Verizon MA will continue to file tariffs with the Department, as required by applicable law, for the telecommunications service offerings subject to its regulation within the Commonwealth. Such tariff filings will be filed for effect no sooner than 30 days following the date of filing, unless Verizon MA establishes good cause for an earlier effective date. Verizon MA will be required to produce only such data as needed to establish compliance with the terms of all pricing rules otherwise specified in the Plan.
- T. The Service Quality Plan adopted by the Department in D.P.U. 94-50 shall be modified to reflect the change from an indexed price cap formula. The modified Service Quality Plan will provide a payment of one twelfth of one percent of annual retail revenue for every month that either the overall performance level is less than 33 points, or if three or more of the 12 individual service items that comprise the SQI fall below the standard threshold on a statewide basis in a given month. The payment would be made as a one-time credit to all Residential and Business lines on an annual basis. A copy of the modified Service Quality Plan is provided as Attachment C.